

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: INTERSTATE POWER AND LIGHT COMPANY	DOCKET NOS. PSA-04-2 PSA-04-1
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**ORDER OPENING DOCKET, CONSOLIDATING DOCKETS, MODIFYING
PROCEDURAL SCHEDULE, AND SCHEDULING SHOW CAUSE HEARING**

(Issued September 10, 2004)

PROCEDURAL HISTORY

The Utilities Board (Board) is opening Docket No. PSA-04-2 to consider whether it should assess civil penalties against Interstate Power and Light Company (IPL) for failure to comply with federal and Board natural gas safety regulations in IPL's Creston zone. IPL is a rate-regulated natural gas utility subject to the Board's jurisdiction pursuant to Iowa Code § 476.1 (2003). IPL owns and operates natural gas pipelines in Iowa. All pipelines owned by IPL in Iowa are considered intrastate (except for two pipelines crossing the Mississippi River near Clinton, Iowa) and, therefore, subject to the Board's inspection and enforcement authority. Under 49 U.S.C.A. § 60105(a)(9), an intrastate gas pipeline is one not subject to the jurisdiction of the Federal Energy Regulatory Commission (FERC) and includes some direct sales lines meeting certain criteria.

The Board, through its staff, performs safety inspections of all IPL natural gas facilities to determine if they are in compliance with federal and Board safety

standards. Board staff prepares reports of violations of gas pipeline safety regulations and provides those reports to IPL personnel for corrective action. Staff completed an inspection report on the Creston zone on August 17, 2004, identifying certain violations (described below).

In 2001 the Board conducted an investigation into similar violations by IPL of federal and Board safety regulations in Docket No. PSA-01-1, In re: IES Utilities Inc. IES Utilities Inc. is now known as IPL. The violations found in the Creston zone are similar to those addressed in Docket No. PSA-01-1 and those currently being addressed in Docket No. PSA-04-1. The violations found in Docket No. PSA-01-1 and the Board's actions in that docket are described below, followed by a description of the violations identified in the August 17, 2004, Board staff inspection report for the Creston zone.

PRIOR VIOLATIONS

The Board opened Docket No. PSA-01-1 on December 13, 2001, to address certain violations of federal and Board gas safety regulations as documented by Board staff. In the December 13, 2001, order, the Board described the violations and directed IPL to file 1) a plan for corrective action; 2) monthly progress reports showing the corrective action taken and providing an explanation of any scheduled actions not completed; and 3) a report that described the steps IPL would take to ensure it remained in compliance with federal and Board safety regulations in the future.

The violations addressed by the Board in the December 13, 2001, order were as follows:

1. A repeat violation of 49 CFR § 192.723 concerning failure to conduct and record leak surveys in the Belmond district. This section of federal regulations requires that leak surveys are to be conducted in business districts at specified intervals and records kept of those results. Leak surveys are conducted in gas, electric, telephone, sewer, and water system manholes, at cracks in pavement and sidewalks, and at other locations providing an opportunity for gas leaks. Detection of the leaks prevents natural gas accidents that can endanger persons and property from occurring.
2. Violations of the cathodic protection requirements of 49 CFR § 192.465 in Iowa Falls and Wellsburg, Iowa, as well as other locations. Monitoring of cathodic protection is required by the external corrosion control monitoring standards in the federal regulations. The level of cathodic protection required by the regulations must be maintained to prevent corrosion of the natural gas pipes that could result in leaks that endangered persons and property.
3. Violations of the requirements for emergency shut-off valves in 49 CFR § 192.181(b).
4. Violation of the Board's leak call response requirements in 199 IAC 19.8(4). This subrule requires IPL to consider a report of a gas leak

to be an emergency requiring immediate attention. Board staff has used a maximum response time of one hour, without extenuating circumstances, to evaluate compliance with this requirement. Violations were found in the Spirit Lake and Creston districts.

5. Violations of the requirements for establishing a Maximum Allowable Operating Pressure (MAOP) in 49 CFR §§ 192.619, 621, and 623. Each pipeline must have an established MAOP, which is essentially a pressure rating for the pipeline or pipeline system. The violations included instances of missing or incomplete documentation and outright errors. Also, numerous instances were found where MAOP records did not agree with the pressures listed in regulator station review documents, which called into question the adequacy of pressure control and overpressure protection on the downstream pipelines.

6. Violations of 49 CFR Part 192, Subpart J, and 49 CFR § 192.13(c). These violations involved improper pressure testing of newly-installed pipelines.

The Board determined that the specific violations described above and the overall review of the violations found by staff during inspections for the years 1999, 2000, and 2001 showed a pattern on the part of IPL management of failing to properly supervise employees to ensure that the proper safety procedures were undertaken and a failure of IPL to ensure that records were properly maintained. The

Board noted that the specific probable violations described above were repeat violations and demonstrated a pattern of ongoing violations. In addition, the Board found that the staff reports indicated that IPL had systematically failed to provide staff with follow-up responses detailing corrective action taken. The Board found that IPL was not following good engineering standards for the safe operation of its pipeline system.

In the order issued December 13, 2001, the Board gave IPL written notice as required by Iowa Code § 476.51 that IPL could be subject to civil penalties for the violations of Board gas pipeline safety rules. The Board indicated that the notice was given because of IPL's failure to comply with past agreements to correct violations. The Board stated if IPL failed to maintain compliance with gas pipeline safety rules, the Board without further notice could seek statutory civil penalties.

On January 21, 2003, the Board issued an order addressing the corrective actions taken by IPL after the 2001 order. The Board stated that the actions taken by IPL had substantially corrected the specific violations listed in the December 13, 2001, order. The Board pointed out that IPL had created the position of Operations Specialist to increase overall attention to gas operations, identify and improve gas business processes, improve gas emergency responses, improve completion of gas maintenance and follow-up activities, and improve the overall quality of documentation and record keeping. The Board noted that IPL had also assigned an

engineer to be responsible for Iowa operations and to respond to Board inquiries and inspections.

The Board found that IPL had demonstrated significant improvement in responding to Board staff inspections and requests and that assigning an engineer for Iowa operations had improved communications with Board staff. The Board stated that there were also indications that zone managers had become more aware of the need to correct deficiencies found during inspections.

The Board then reiterated that IPL had been given written notice as required by § 476.51 that it could be subject to civil penalties for violations of Board gas pipeline safety rules. Notice was given because of IPL's failure to comply with past agreements to correct violations. The Board stated if IPL failed to maintain compliance with gas pipeline safety rules, the Board without further notice could seek statutory civil penalties.

On August 1, 2003, the Board issued an order closing Docket No. PSA-01-1. In that order, the Board again stated that future violations of federal or Board safety regulations may result in civil penalties being assessed against IPL.

CURRENT VIOLATIONS – CRESTON ZONE

Iowa Code § 476.2(5) requires a rate-regulated natural gas utility operating within Iowa to maintain the administrative, technical, and operating personnel necessary for the delivery of safe and reasonably adequate services and facilities as required pursuant to Iowa Code § 476.8. This section provides that a utility that

violates this section shall be subject to the penalties provided in § 476.51 and shall be denied authority to recover, for a period determined by the Board, the costs of an energy efficiency plan pursuant to § 476.6(11).

The Board has adopted natural gas pipeline safety requirements in rules 199 IAC 19.5 and 19.8 that establish safety standards for rate-regulated natural gas companies to meet the requirements of §§ 476.2(5) and 476.8. These rules adopt the safety standards from federal regulations in 49 CFR Part 192. In 199 IAC 19.8, the Board has also adopted standards for gas leak call responses, odorization, and turning on gas service that are more stringent than the federal regulations.

Board staff has continued to conduct inspections of IPL's pipeline system under federal and Board safety regulations after the Board's order in Docket No. PSA-01-1 in order to ensure IPL continues to comply with those regulations. A Board staff inspection report dated August 17, 2004, for the Creston zone revealed areas where IPL had failed to comply with federal and Board safety regulations and IPL's Operation and Maintenance (O&M) Plan. Failure to comply with a utility's own O&M Plan is a violation of 49 CFR § 192.13(c).

The Creston zone includes the towns of Atlantic, Casey, Creston, Fontanelle, Greenfield, Hepburn, Leon, Menlo, Mount Ayr, New Virginia, Orient, Osceola, Truro, and Villisca. The violations and their location are as follows:

1. There is no locking device on the shut-off valve ahead of the relief valve at Regulator Station 2-1 in Greenfield, Iowa. This is a violation of 49 CFR § 192.199(h).

2. The pipe support stand at the Ridge Road Station in Osceola Iowa, is not in place and is not supporting the station piping. This could cause stress on the piping connections. This is a violation of 49 CFR § 192.203(b)(7).

3. The meter at the Rose Acres Laying Facility in Stuart, Iowa, is installed with its base in the soil and is therefore subject to the effects of corrosion. Installing a meter base in soil is a violation of 49 CFR § 192.353(a).

4. The meters and regulators at the following locations need barricades installed for protection from vehicular damage. Failure to install the barricades is a violation of 49 CFR § 192.353(a).

a. In Atlantic, Iowa, the meters and regulators at 200 Chestnut Street, 301 Chestnut Street, and 327 Chestnut Street.

b. In Clarinda, Iowa, the meters and regulators at 108 East Washington Street, 110 West Washington Street, 122 North 16th Street, and 115 East Main Street.

c. In Mount Ayr, the meters and regulators at 122 West Madison Street and 115 North Taylor Street.

5. Discharge stacks need to be installed on the relief valve and regulator vent and directed above air intakes at DeBruce Grain's soybean plant in Creston, Iowa. Failure to install the discharge stacks and to install them above air intakes is a violation of 49 CFR § 192.355(b).

6. The corrosion survey completed on 6/23/03 in Clarinda, Iowa, was completed more than 15 months from the previous corrosion survey completed on 2/15/02 for 14 of the 16 corrosion protection zones. Failure to complete the corrosion survey within 15 months of the previous survey is a violation of 49 CFR § 192.465(a).

7. The coating on the inlet pipe at the ground line on the Orient, Iowa, regulator station located at 310th and Nevada Streets has deteriorated and corrosion has appeared on the pipe. Failure to properly maintain the ground line is a violation of 49 CFR § 192.481(c).

8. Odorant levels for the Atlantic, Iowa, Municipal Extension, a permitted transmission line that transports gas from Northern Natural Gas Company to the Atlantic Municipal Utilities facilities, were recorded as "0" for all odorant level tests from June 2001 to June 2004. The transmission line is used to transport gas to an electric peaking generator that is seldom in operation. When gas flow is curtailed for an extended period, the odorant levels in the gas tend to diminish. If the monthly readings were taken and recorded as required, the readings would indicate a higher percent of gas-in-

air than zero. Odorant level readings taken during the field inspection by IPL personnel and witnessed by Board staff produced a reading of 2.5 percent gas-in-air before a faint odorant level could be detected. The IPL O&M plan requires a maximum of 0.7 percent gas-in-air level. For the three years identified above, no odorant level readings were in compliance with this requirement. The failure to take and record the proper readings for the odorant level readings is a violation of 49 CFR § 192.625(a).

9. The failure to inform the Gas Measurement and Regulator Manager of the odorant level readings that were less than 0.1 percent or greater than 0.7 percent and failure of the Gas Measurement and Regulator Manager to take corrective action as required by IPL's O&M Plan for the odorant level readings described in No. 8 above is a violation 49 CFR § 192.13(c).

10. Leakage surveys were not performed within the 15-month period from the previous leakage survey as required by 49 CFR § 192.706 for the following transmission lines:

a. A leakage survey was completed on August 7, 2002, on the Greenfield transmission line that was more than 15 months from the previous survey completed on March 12, 2001.

b. A leakage survey was completed on August 6, 2002, for the Fontanelle transmission line that exceeded 15 months from the previous leakage survey completed on April 5, 2001.

c. A leakage survey was completed on August 8, 2002, for the Clarinda transmission line that exceeded 15 months from the previous leakage survey completed on March 7, 2001.

d. A leakage survey was completed on August 8, 2002, for the Villisca transmission line that exceeded 15 months from the previous leakage survey completed on March 12, 2001.

The failure to complete a leakage survey within 15 months of a previous survey is a violation of 49 CFR § 192.706.

11. Pipeline markers are needed on the East side of Highway 169 across from McDowell Station and on the South side of Squaw Creek at 230th and 255th Avenues on the Osceola transmission line. Failure to have the markers is a violation of 49 CFR § 192.707(c).

12. There was no patrolling record listed for the dates in the towns as follows:

a. From July through December 2001 in Atlantic, Iowa.

b. From July through December 2003 for the Casey-Menlo-Stuart lateral.

c. From July through December 2001, July through December 2002, and July through December 2003 in Clarinda, Iowa.

d. From July through December 2001, July through December 2002, and July through December 2003 in Leon, Iowa.

e. From July through December 2001, July through December 2002, and July through December 2003 in Osceola, Iowa.

f. From July through December 2001, July through December 2002, and July through December 2003 in Villisca, Iowa.

g. Two patrols were not conducted in 2003 as required in Creston and Orient, Iowa.

h. A patrol conducted on March 30, 2004, in Atlantic, Iowa, exceeded seven and one half months from the previous patrol conducted July 22, 2004.

The failure to patrol and keep a record of the patrols during the times and in the towns listed above constitutes separate violations of 49 CFR § 192.721(b)(2).

13. IPL shows a record of patrolling in Atlantic, Iowa, on March 30, 2004, which exceeds seven and one half months from the previous patrol on July 22, 2003. This is a violation of 49 CFR § 192.721(b)(2).

14. The time between distribution leakage surveys in the following towns exceeded five years, a violation of 49 CFR § 192.723(b)(2):

a. In Casey, Iowa, a distribution leakage survey started on May 19, 2004, and was completed on May 26, 2004. This leakage survey was completed over five years from the previous leakage survey completed on April 12, 1999.

b. In Greenfield, Iowa, a distribution leakage survey for the North side of town started on July 14, 2004, and was completed on July 19, 2004, over five years from the previous survey completed on March 30, 1999.

15. In the Clarinda, Iowa, business district a leakage survey was conducted on May 5, 2003, over 15 months from the previous leakage survey completed on January 24, 2002. This is a violation of 49 CFR § 192.723(b)(1).

16. In Clarinda, Iowa, the public building leakage survey was conducted on May 5, 2003, over 15 months from the previous leakage survey completed on January 24, 2002. This is a violation of 49 CFR § 192.13(c).

17. Valve maintenance completed on August 19, 2002, on the Greenfield transmission line was conducted over 15 months from the previous valve maintenance on April 4, 2001. This is a violation of 49 CFR § 192.745(a).

18. Valve maintenance completed on August 19, 2002, on the Fontanelle transmission line was conducted over 15 months from the previous

valve maintenance completed on April 4, 2001. This is a violation of 49 CFR § 192.745(a).

19. Valve maintenance was started on May 15, 2003, in Clarinda, Iowa, which was over 15 months from the previous valve maintenance completed on January 29, 2002.

20. Valve maintenance completed on May 21, 2003, in Villisca, Iowa, conducted more than 15 months after the previous valve maintenance completed on February 13, 2002.

PROCEDURAL SCHEDULE

The Board has previously issued a show cause order on August 12, 2004, for violations of federal and Board safety regulations in IPL's Mason City zone. Docket No. PSA-04-1, In re: Interstate Power and Light Company. In the August 12, 2004, order, the Board established a procedural schedule and set a hearing date of November 19, 2004. On August 27, 2004, the Board modified the procedural schedule but retained the hearing date.

The procedural schedule for Docket No. PSA-04-2 will be consolidated with the modified procedural schedule in Docket No. PSA-04-1. The time for filing prefiled testimony in the consolidated dockets will be extended to accommodate both dockets. The date for the evidentiary hearing will remain the same, November 19, 2004.

ORDERING CLAUSES

IT IS THEREFORE ORDERED:

1. Docket No. PSA-04-2 is docketed for consideration of civil penalties against Interstate Power and Light Company.
2. Docket No. PSA-04-2 is consolidated with Docket No. PSA-04-1 and the following procedural schedule is established for both dockets.
 - a. Petitions to intervene in Docket No. PSA-04-2 shall be filed on or before September 17, 2004.
 - b. Interstate Power and Light Company shall file prepared direct testimony along with any underlying workpapers and exhibits on or before September 24, 2004.
 - c. The Consumer Advocate Division of the Department of Justice (Consumer Advocate) and any intervenors may file prepared direct testimony, with the underlying workpapers and exhibits, on or before October 8, 2004.
 - d. Interstate Power and Light Company may file rebuttal testimony, with underlying workpapers and exhibits, on or before October 18, 2004.
 - e. A hearing shall be held for the purpose of receiving testimony and the cross-examination of all testimony beginning at 9 a.m. on November 19, 2004. The hearing shall be held in the Board's hearing room at 350 Maple Street, Des Moines, Iowa 50319-0069. Persons with disabilities requiring assistive services or devices to observe or participate should contact

the Utilities Board at (515) 281-5256 in advance of the scheduled date to request that appropriate arrangements be made.

f. The parties may file simultaneous briefs on or before November 29, 2003.

3. Interstate Power and Light Company is directed to appear at the hearing scheduled for November 19, 2004, and show cause why it should not be subject to civil penalties pursuant to Iowa Code § 476.51 for the violations of federal and Board safety regulations in the Creston zone.

4. Pursuant to Iowa Code § 17A.14(4), the Utilities Board staff inspection report dated August 17, 2004, is officially noticed and entered into the record of this proceeding as Utilities Board Exhibit 3.

5. A copy of Utilities Board Exhibit 3 shall be placed in the file in this docket by the Utilities Board Record and Information Center.

UTILITIES BOARD

/s/ Mark O. Lambert

ATTEST:

/s/ Judi K. Cooper
Executive Secretary

/s/ Elliott Smith

Dated at Des Moines, Iowa, this 10th day of September, 2004.